

Message Text

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PAGE 01 STATE 187365
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 /036 R

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APPROVED BY EB/OA/AN:RABROWN
EB/OA/AVP:AJWHITE
EUR/WE:AHUGHES
CAB:MPETT

-----051726 251905Z /50

P 251842Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY MADRID PRIORITY

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E.O. 11652: N/A

TAGS: EAIR, SP

SUBJECT: CIVAIR: PAN AM STANDY FARE

REF: A) STATE 170551; B) MADRID 7675

1. SPANISH EMBASSY HAS DELIVERED NOTE TO DEPARTMENT CONTAINING NOTICE OF DISSATISFACTION RE PAN AM MIAMI-MADRID STANDBY FARE. NOTE ACKNOWLEDGED GOS WAS LATE IN SENDING NOTICE, APOLOGIZED FOR LATENESS, BUT STATED GOS COULD NOT ACCEPT FARE BECAUSE IT WOULD RESULT IN DIVERSION OF TRAFFIC FROM IBERIA.

2. CAB HAS EVALUATED PAN AM FARE AND CONSIDERS IT ECONOMICALLY JUSTIFIED. PROPOSED STANDBY FARE WILL OFFER A NEW LEVEL OF ECONOMICALLY VIABLE, LOW FARE AIR SERVICE TO THE TRAVELLING PUBLIC, AND AS SUCH IS FULLY
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CONSISTENT WITH USG INTERNATIONAL AVIATION POLICY.

3. BEYOND THE SUBSTANTIVE ECONOMIC ARGUMENTS SUPPORTING THE FARE IS THE FACT THAT ABSENT A NOTICE OF DISSATISFACTION, PAN AM PROCEEDED ON THE ASSUMPTION THAT THE STANDBY

FARE WAS ACCEPTABLE TO THE GOS, AND MADE ADVERTISING AND

OPERATIONAL PLANS ACCORDINGLY. NOTICE OF DISSATISFACTION PROCEDURE IMPORTANT FOR AIRLINES IN THAT IT ALERTS THEM TO THE POSSIBILITY THAT A FARE MAY BE REJECTED. ABSENT THE NOTICE, AIRLINES MAKE OPERATIONAL AND FINANCIAL DECISIONS ON THE ASSUMPTION THAT THE FARE IS ACCEPTED.

4. CAB CONFIRMS IT WOULD GRANT PROMPT AND SYMPATHETIC CONSIDERATION TO IBERIA SHORT-NOTICE FILINGS DESIGNED TO MATCH OR BE RESPONSIVE TO THE PAN AM STANDBY FARE. INSTEAD OF RESTRICTING LOW FARE COMPETITION, WE WOULD HOPE THAT SPANISH PREPARED TO ENLARGE SUCH COMPETITION, AS THEY HAVE BEEN IN THE PAST.

5. ACTION REQUESTED: IN DISCUSSIONS WITH GOS OFFICIALS, EMBASSY SHOULD INFORM OF CONTENTS PARA 4 ABOVE AND STRESS POSITIVE ECONOMIC ARGUMENTS IN FAVOR OF FARE RATHER THAN THE LEGAL ARGUMENTS. USG POLICY IS TO SUPPORT AND ENCOURAGE INNOVATIVE LOW FARES FROM ALL CARRIERS, WHICH IS THE MESSAGE WE WISH TO CONVEY TO GOS. WHILE LATENESS OF GOS NOTICE OF DISSATISFACTION MAY BE PREDJUDICIAL TO ITS LEGITIMACY, FACT THAT GOS CAN CANCEL FARE AFTER 60 DAYS AS PER ARTICLE 10 OF THE US-SPAIN BILATERAL INDICATES WE SHOULD NOT FOCUS UNDULY ON THIS ASPECT OF THE SITUATION.
VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PASSENGERS, AIR FARES, AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE187365
Document Source: CORE
Document Unique ID: 00
Drafter: GGRIFFITHS:SP
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780305-0243
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780722/aaaaasop.tel
Line Count: 86
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b613e76c-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 170551, 78 MADRID 7675
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1892629
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: PAN AM STANDY FARE
TAGS: EAIR, SP, US, PANAM
To: MADRID
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b613e76c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014